

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 944 – SB 1047

January 31, 2018

SUMMARY OF ORIGINAL BILL: Requires the Chief Procurement Office (CPO) to provide the Comptroller of the Treasury (Comptroller) a list of all state governmental entity contracts, grants, and a cost of each, and update the list each time a state governmental entity enters into, cancels, amends, or extends a grant or contract. Requires the Comptroller to make the list available on the Comptroller's website. Requires the cost of creating and maintaining such a list to be offset by an administrative fee charged by the CPO on any contracts entered into, renewed, or amended on or after July 1, 2017.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – \$158,800/FY17-18
\$133,800/FY18-19 and Subsequent Years

Increase State Expenditures - \$158,800/FY17-18
\$133,800/FY18-19 and Subsequent Years

SUMMARY OF AMENDMENT (012165): Deletes all language after the enacting clause. Enacts the Contract Accountability and Responsible Employment (CARE) Act that requires compliance with certain processes, including but not limited to production of an economic impact statement, for state agencies procuring service contracts with private parties exceeding \$2,500,000 that result in the layoff or furlough of one or more state employees.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – To the extent contracts meet the requirements established within the proposed legislation, there could be increased expenditures to various state government agencies. There will also be state cost avoidances resulting from not entering into contracts for certain services. The net impact of this legislation and the timing of any future impact cannot be reasonably determined for such impacts are dependent upon multiple unknown factors.

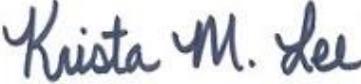
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Assumptions for the bill as amended:

- This legislation specifies that the term state agency includes institutions of higher education and excludes the Department of Treasury, the Tennessee Financial Literacy Commission, the Tennessee Consolidated Retirement System, or any office of a constitutional officer of this state.
- Prior to the procurement of any contract for services with a private party in excess of \$2,500,000 that results in the layoff or furlough of one or more state employees, this legislation requires a state agency to produce an economic impact statement to the Fiscal Review Committee (FRC).
- Pursuant to Tenn. Code Ann. § 4-33-104(b), an economic impact statement is required to include the following information:
 - 1) A description of the action proposed, the purpose of the action, the legal authority for the action and the plan for implementing the action;
 - 2) A determination that the action is the least-cost method for achieving the stated purpose;
 - 3) A comparison of the cost-benefit relation of the action to nonaction;
 - 4) A determination that the action represents the most efficient allocation of public and private resources;
 - 5) A determination of the effect of the action on competition;
 - 6) A determination of the effect of the action on the cost of living in the geographical area in which the action would occur;
 - 7) A determination of the effect of the action on employment in the geographical area in which the action would occur;
 - 8) The source of revenue to be used for the action; and
 - 9) A conclusion as to the economic impact upon all persons substantially affected by the action, including an analysis containing a description as to which persons will bear the costs of the action and which persons will benefit directly and indirectly from the action.
- This legislation authorizes the FRC to conduct hearings to review such contracts.
- State agencies notified of such hearings are required to provide the respective committee, upon request, any information reasonably related to the proposed contract.
- Should future contracts meet the proposed requirements, there could be additional increased expenditures for all involved state departments and agencies. The timing and extent of any future impacts cannot be reasonably determined.
- Avoidance of contract costs may be realized by state agencies that would have otherwise contracted for services in the absence of this legislation; however, the extent and timing of any cost avoidance is dependent upon multiple unknown factors.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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